Farm Credit Services of America

Quarterly Report

September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of America, ACA, and its subsidiaries Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA. The accompanying consolidated financial statements and notes also contain important information about our unaudited financial position and results of operations. You should also read our 2023 Annual Report for a description of our organization, operations and significant accounting policies.

Due to the nature of our financial relationship with AgriBank, FCB, the financial condition and results of operations of AgriBank, FCB may materially affect our shareholders' investment in Farm Credit Services of America, ACA. To request a free copy of the AgriBank, FCB financial reports or additional copies of our report contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to $sr@fcsamerica.com or view them at our website, www.fcsamerica.com. You may also contact AgriBank, FCB at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or via electronic mail to: financialreporting@agribank.com. The AgriBank, FCB's financial reports are also available through AgriBank, FCB's website at www.agribank.com.

NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

The Boards of Directors of Farm Credit Services of America, ACA, AgCountry Farm Credit Services, ACA, and Frontier Farm Credit, ACA entered into an agreement with an effective date of December 29, 2023. Beginning April 15, 2024, the three associations are jointly managed and share income and losses. The associations will deploy a common business approach to the development and delivery of products and services and use common technology platforms which accommodate differences in local marketplace conditions. While the associations are jointly managed and will operate under jointly developed strategic business plans and support plans, they remain separate organizations with strong local representation through independent boards of directors and distinct patronage programs. The collaboration is designed to benefit the farmers and ranchers who own and support the three financial services cooperatives by ensuring that all three associations have the strength and capacity to serve agricultural customers' needs for years to come.

Under the collaboration agreement, the three associations have agreed to share net income and losses based on a formula derived from the average net income/losses of each association from the previous five years including 2019 thru 2023. Therefore, the income/losses will be allocated as follows: Farm Credit Services of America (73.8 percent), AgCountry Farm Credit Services (21.3 percent) and Frontier Farm Credit (4.9 percent). Given such allocation methodology, income and losses that are generally specific to each of the associations will effectively be shared in proportion to the allocation formula. The allocation methodology in effect will continue to be applied until the boards mutually agree to any changes in the methodology to be used for the next allocation period starting on January 1, 2028.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Financial Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2023 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

COMMODITY REVIEW AND OUTLOOK UPDATE

The United States corn market experienced notable changes in the third quarter of 2024. As of September 1, 2024, corn stocks stored in all positions totaled 1.76 billion bushels, up 29 percent from September 1, 2023. New crop corn futures traded a bit up and down during the third quarter with a rebound to $4.24 per bushel by the end of the third quarter. The United States Department of Agriculture projects corn yields for 2024 at 183.6 bushels per acre, which if realized, would be the second largest corn crop produced by the United States farmers. With the 2024 United States corn crop in good condition and demand soft relative to supply, the overall size of the United States corn crop will be a major factor in the fundamental market landscape.

Soybean prices trended lower in the third quarter. November soybean futures began the third quarter around $11.10 per bushel, bottomed in mid-August at $9.57 per bushel, and finished the quarter at around $10.57 per bushel. United States soybean prices rallied in the latter portion of the third quarter due to dry weather forecasts in Brazil and hopes for increased demand from China. Soybean stocks stored in all positions, as of September 1, 2024, totaled 111 million bushels, up 54 percent from a year ago. In

September, due to favorable growing conditions, the United States Department of Agriculture forecasted a record high United States soybean crop in 2024 at approximately 4.6 billion bushels, a 10 percent increase from 2023. While domestic soybean crush remains historically strong, United States soybean exports remain below their 10-year average.

While remaining relatively strong, cattle prices were flat during the third quarter of 2024, finishing the quarter at around $185 per hundredweight. The United States feedlot inventory totaled 11.2 million head on September 1, 2024, a 1 percent increase from September 2023. Total United States beef imports for the month of July were reported up 27 percent from a year ago largely in part due to shipments coming in from Australia. However, United States feeder cattle imports from Mexico in July were over 122 thousand head, nearly 50 thousand more than a year ago. The significant increase was due to drought in Northern Mexico along with higher feeder cattle prices in the United States. Overall, the cattle market in the third quarter 2024 was characterized by relatively flat futures prices, slightly higher feedlot inventory from a year ago, and higher beef imports and exports from 2023.

As of September 1, 2024, there were 76.5 million hogs and pigs in the United States hog inventory up slightly from September 2023. The United States breeding inventory, as of September 1, 2024, was 6.04 million head, down 2 percent from a year ago. United States hog and pig producers weaned an average of 11.72 pigs per litter for the June through August 2024 period, compared to 11.61 last year. Lean hog futures during the third quarter averaged approximately $85 per hundredweight – with a range between $75 per hundredweight and $93.50 per hundredweight. During the third quarter, some farrow-to-finish producers saw profitability although seasonal profitability levels in July and August remained below their 5-and-10-year averages. Cumulative year-to-date, United States pork exports from January through July are over 4 percent higher in 2024 than the same time period in 2023. Mexico remains an important trading partner as United States pork exports to Mexico are over 25 percent higher than July 2023. Overall, the hog market in the third quarter 2024 was characterized by slightly higher hog inventory, lower breeding inventory, improved profitability from last year's levels, and robust exports.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2023 Annual Report for further analysis of farmland prices and industry conditions.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $41.1 billion at September 30, 2024, an increase of $2.4 billion, or 6.2 percent from December 31, 2023. The increase was primarily due to an increase in long-term agricultural mortgage and agribusiness loans.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2023. Our adversely classified assets as a percentage of our portfolio increased during the first nine months of 2024 ending the quarter at 2.23 percent, compared to 1.96 percent at December 31, 2023. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At September 30, 2024, $1.2 billion of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

The following table summarizes nonperforming assets and delinquency information (dollars in thousands):

	September 30, 2024	December 31, 2023
Loans:		
Nonaccrual	**$ 195,292**	$ 120,548
Accruing loans 90 days or more past due	**53,649**	7,570
Total nonperforming loans	**248,941**	128,118
Other property owned, net	**5,983**	—
Total nonperforming assets	**$ 254,924**	$ 128,118
Nonperforming loans as a percentage of total loans	**0.61%**	0.33%
Nonaccrual loans as a percentage of total loans	**0.48%**	0.31%
Current nonaccrual loans as a percentage of total nonaccrual loans	**66.4%**	40.4%
Total delinquencies as a percentage of total loans*	**0.63%**	0.51%

*Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Total nonperforming assets have increased slightly since year-end. The increase is due to an increase in nonaccrual loans, accruing loans 90 days or more past due and other property owned. Total nonperforming assets remained at acceptable levels. Nonperforming loans as a percentage of total loans remained at acceptable levels.

The increase in nonaccrual loans was related to our swine and meats/proteins-processing portfolios, partially offset by decreases in our fruits/vegetables and food processing portfolios. Nonaccrual loans remained at an acceptable level at September 30, 2024, and December 31, 2023.

The increase in accruing loans 90 days or more past due is due to the government guaranteed portfolio. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection.

The increase in total delinquencies as a percentage of total loans was primarily due to agribusiness loans in the capital markets portfolio.

The increase in other property owned is due to acquiring real property during the second quarter.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses on loans in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

Allowance for Credit Losses on Loans Coverage Ratios:

	September 30, 2024	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Total loans	**0.16%**	0.21%
Nonaccrual loans	**33.28%**	68.02%
Total nonperforming loans	**26.11%**	64.00%

Total allowance for credit losses on loans was $65.0 million at September 30, 2024, and $98.0 million at December 31, 2023. The decrease from December 31, 2023 was primarily related to the removal of specific reserves that exceeded charge-offs taken against the corresponding loans.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

	For the nine months ended September 30,	
	2024	2023
Net income	**$637,610**	$563,996
Return on average assets	**1.96%**	1.83%
Return on average members' equity	**10.93%**	10.34%

Changes in these ratios directly relate to:
- Changes in net income discussed in this section;
- Changes in assets discussed in the Loan Portfolio section; and,
- Changes in capital discussed in the Funding, Liquidity and Capital section.

Major components of the changes in net income for the nine months ended September 30, 2024 compared to the same period in 2023 are outlined in the following table (dollars in thousands):

For the nine months ended September 30,	2024	2023	Increase (decrease) in net income
Net interest income	**$ 786,545**	$ 728,802	**$ 57,743**
Provision for credit losses	**(880)**	29,246	**30,126**
Non-interest income	**258,035**	245,566	**12,469**
Non-interest expense	**399,107**	372,399	**(26,708)**
Provision for income taxes, net	**8,743**	8,727	**(16)**
Net income	**$ 637,610**	$ 563,996	**$ 73,614**

Net Interest Income

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the nine months ended September 30, (dollars in thousands):

	2024 vs. 2023
Change in volume	**$ 50,359**
Change in rates	**7,572**
Change in nonaccrual income	**(188)**
Net change	**$ 57,743**

The increase in net interest income is due to higher loan volume and an increase in income earned on earning assets funded by our non-interest-bearing source (capital).

Provision for Credit Losses

We recorded a $0.12 million provision for credit losses on loans as well as a $(1.0) million provision for credit losses on unfunded commitments for the first nine months of 2024, as compared with recording a $27.2 million provision for credit losses on loans and $2.0 million provision for credit losses on unfunded commitments during the first nine months of 2023. The decrease in provision was related to a decrease in specific reserves on a few loans and charge offs made in 2024 on loans that had a specific reserve. Net charge offs for the first nine months of 2024 were $17.1 million compared with net charge offs of $1.2 million in the same period a year ago. The change in the provision for credit losses on loans and unfunded commitments reflects our assessment of risk in the loan portfolio.

Non-interest Income

The increase in non-interest income is primarily due to our share of the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC). The AIRA was established by FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund beyond the required 2 percent of insured debt. There was no AIRA distribution in 2023. Refer to our 2023 Annual Report for additional information about the FCSIC. In addition, we experienced an increase in non-interest income income due to an increase in servicing fees and AgDirect fees and distributions, slightly offset by a decrease in patronage.

We may receive patronage from AgriBank, FCB and other Farm Credit entities. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors (dollars in thousands).

	For the nine months ended September 30,	
	2024	2023
Patronage from AgriBank, FCB	**$ 120,323**	$ 126,590
AgDirect, LLP patronage distribution	**14,840**	12,077
Other patronage	**313**	2,847
Total patronage income	**$ 135,476**	$ 141,514

Patronage from AgriBank, FCB primarily includes wholesale patronage and pool program patronage and may be in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Non-interest Expense

The increase in non-interest expense is primarily due to higher salary and benefits expenses due to market adjustments since staffing levels are consistent with prior year, as well as one-time collaboration expenses primarily in salaries and purchased services. Additionally, changes in non-interest expense can be driven by the sharing of net income and losses based on our collaboration agreement with AgCountry Farm Credit and Frontier Farm Credit. Refer to our Notice of Significant or Material Events earlier in this Quarterly Report for more information. The Farm Credit System Insurance expense decreased in 2024 primarily due to a decrease in the FCSIC premium rate. The premium rate, which is primarily impacted by System growth, was 10 basis points for the nine months ended September 30, 2024, compared to 18 basis points for the same period in 2023. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. Refer to Note 1 in our 2023 Annual Report for additional information on the Farm Credit System Insurance Fund.

Provision for Income Taxes

The increase in provision for income taxes is primarily related to our estimate of taxes based on taxable income.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, FCB under a note payable, in the form of a line of credit. Our note payable was renegotiated as of July 1, 2024 and was renewed for $41 billion with a maturity of June 30, 2027 at which time the note will be renegotiated, if not sooner. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as Farm Credit Services of America is a stockholder of AgriBank, FCB we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component;
- A spread component, which includes cost of servicing, cost of liquidity and bank profit; and
- A risk premium component, if applicable.

We were not subject to a risk premium at September 30, 2024 or December 31, 2023.

Our members' equity increased to $8.1 billion at September 30, 2024 compared to $7.5 billion at December 31, 2023. The increase was primarily due to the net income recorded for the first nine months of 2024.

In the 4th quarter of 2023, our Board also adopted a patronage program for 2024. The 2024 patronage program will be based on each customer's average daily balance of eligible loans outstanding during 2024 to be paid in 2025 on eligible originations, participations purchased and participations sold volume.

Farm Credit Administration regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 9 in our 2023 Annual Report for a more complete description of these ratios. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 13 in our 2023 Annual Report.

	As of September 30, 2024	As of December 31, 2023	Regulatory Minimums	Capital Conservation Buffers
Risk-adjusted:				
Common equity tier 1 ratio	**14.06%**	14.18%	4.5%	7.0%
Tier 1 capital ratio	**14.06%**	14.18%	6.0%	8.5%
Total capital ratio	**14.23%**	14.42%	8.0%	10.5%
Permanent capital ratio	**14.08%**	14.21%	7.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**15.22%**	15.66%	4.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**15.22%**	15.66%	1.5%	1.5%

CERTIFICATION

This report has been prepared under the oversight of the Board's Audit Committee. The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

Mark Jensen	Nick Jorgensen	Craig P. Kinnison
President and CEO	Chairperson, ACA Board of Directors	Executive Vice-President and CFO
November 5, 2024	November 5, 2024	November 5, 2024

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of America, ACA

(dollars in thousands)

As of:	September 30, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Loans	**$ 41,062,029**	$ 38,646,868
Allowance for credit losses on loans	**65,000**	82,000
Net loans	**40,997,029**	38,564,868
Cash	**62,503**	58,482
Accrued interest receivable	**798,041**	581,707
Investment in securities, net	**1,502,980**	772,446
Investment in RBIC	**91,595**	81,186
Investment in AgriBank, FCB	**1,435,515**	1,399,213
Investment in AgDirect, LLP	**142,102**	128,077
Premises and equipment, net	**232,940**	232,187
Deferred tax asset, net	**6,080**	6,451
Other assets	**176,880**	121,505
Total assets	**$ 45,445,665**	$ 41,946,122
LIABILITIES		
Notes payable to Agribank, FCB	**$ 36,744,368**	$ 33,516,275
Accrued interest payable	**387,007**	313,296
Patronage payable	**—**	357,000
Allowance for credit losses on unfunded commitments	**13,000**	14,000
Other liabilities	**166,445**	248,567
Total liabilities	**37,310,820**	34,449,138
Commitments and contingencies (Note 6)		
MEMBERS' EQUITY		
At-risk capital:		
Class D common stock	**97,838**	96,040
Class E common stock	**4,002**	3,858
Less: Capital stock receivable	**(101,840)**	(99,898)
Retained earnings	**8,134,845**	7,496,984
Total members' equity	**8,134,845**	7,496,984
Total liabilities and members' equity	**$ 45,445,665**	$ 41,946,122

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of America, ACA

(dollars in thousands)

(Unaudited)

	Three Months Ended		*Nine Months Ended*	
For the period ended September 30,	**2024**	2023	**2024**	2023
NET INTEREST INCOME				
Interest income	**$ 636,724**	$ 562,524	**$ 1,830,792**	$ 1,568,223
Interest expense	**387,351**	306,959	**1,044,247**	839,421
Net interest income	**249,373**	255,565	**786,545**	728,802
Provision for credit losses	**1,160**	7,614	**(880)**	29,246
Net interest income after provision for credit losses	**248,213**	247,951	**787,425**	699,556
NON-INTEREST INCOME				
Patronage income	**42,182**	47,916	**135,476**	141,514
AgDirect, LLP program fees	**13,430**	12,985	**42,895**	38,655
Insurance services	**23,889**	27,188	**31,727**	31,068
Loan fees	**6,616**	9,799	**20,987**	22,054
Rural 1st program fees	**1,155**	1,287	**3,157**	3,430
Other non-interest income	**3,766**	2,508	**23,793**	8,845
Total non-interest income	**91,038**	101,683	**258,035**	245,566
NON-INTEREST EXPENSE				
Salaries and employee benefits	**85,887**	78,589	**259,045**	231,570
Occupancy and equipment expense	**14,914**	12,967	**40,818**	38,638
Other operating expenses	**34,884**	20,947	**66,409**	59,112
Insurance fund premiums	**8,549**	14,752	**25,106**	43,855
Loss (gain) on RBIC	**1,609**	(782)	**7,729**	(776)
Total non-interest expense	**145,843**	126,473	**399,107**	372,399
Income before income taxes	**193,408**	223,161	**646,353**	572,723
Provision for income taxes	**2,409**	3,357	**8,743**	8,727
Net income	**$ 190,999**	$ 219,804	**$ 637,610**	$ 563,996

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of America, ACA

(dollars in thousands)

(Unaudited)

	At-risk Capital		
	Capital Stock	**Retained Earnings**	**Total Members' Equity**
Balance at December 31, 2022	$ —	$ 7,066,776	$ 7,066,776
Net income		563,996	563,996
Patronage accrual adjustment		167	167
Cumulative effect of change in accounting principle		(12,000)	(12,000)
Capital stock:			
Issuance of stock in exchange for customer stock receivable	6,810		6,810
Release of customer stock receivable associated with retired stock	(6,283)		(6,283)
Less: Capital stock receivable	(527)		(527)
Balance at September 30, 2023	$ —	$ 7,618,939	$ 7,618,939
Balance at December 31, 2023	$ —	$ 7,496,984	$ 7,496,984
Net income		**637,610**	**637,610**
Patronage accrual adjustment		**251**	**251**
Capital stock:			
Issuance of stock in exchange for customer stock receivable	**7,422**		**7,422**
Release of customer stock receivable associated with retired stock	**(5,480)**		**(5,480)**
Less: Capital stock receivable	**(1,942)**		**(1,942)**
Balance at September 30, 2024	**$ —**	**$ 8,134,845**	**$ 8,134,845**

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1: ORGANIZATION

The accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our 2023 Annual Report for the year ended December 31, 2023.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of America, ACA (the parent) and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other Farm Credit System institutions.

Standard and Effective Date	Description	Financial Statement Impact
In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans by type consisted of the following (dollars in thousands):

	September 30, 2024		December 31, 2023	
	Amount	**Percentage**	Amount	Percentage
Long-term agricultural mortgage	**$ 21,743,270**	**52.9 %**	$ 20,826,929	53.9 %
Production and intermediate term	**7,952,829**	**19.4**	7,621,797	19.7
Agribusiness	**6,227,635**	**15.2**	5,460,016	14.1
Rural infrastructure	**3,235,563**	**7.9**	2,868,097	7.4
Rural residential real estate	**587,652**	**1.4**	641,926	1.7
Agricultural export finance	**147,308**	**0.4**	125,468	0.3
Other	**1,167,772**	**2.8**	1,102,635	2.9
Total loans	**$ 41,062,029**	**100.0 %**	$ 38,646,868	100.0 %

The Other category is primarily composed of certain assets characterized as mission-related investment loans and U.S. Department of Agriculture guaranteed loans.

Credit Quality

One credit quality indicator we utilize is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- acceptable – loans are expected to be fully collectible and represent the highest quality;
- other assets especially mentioned (OAEM) – loans are currently collectible but exhibit some potential weakness;
- substandard – loans exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- doubtful – loans exhibit similar weaknesses to substandard assets; however, doubtful loans have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- loss – loans are considered uncollectible.

We had no loans categorized as loss at September 30, 2024 or December 31, 2023.

The following table shows loans classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type at amortized cost (dollars in thousands):

	As of September 30, 2024						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Long-term agricultural mortgage	**$ 20,900,215**	**96.12 %**	**$ 370,221**	**1.70 %**	**$ 472,834**	**2.18 %**	**$21,743,270**
Production and intermediate term	**7,377,733**	**92.77 %**	**275,755**	**3.47 %**	**299,341**	**3.76 %**	**7,952,829**
Agribusiness	**5,868,145**	**94.23 %**	**232,342**	**3.73 %**	**127,148**	**2.04 %**	**6,227,635**
Rural infrastructure	**3,204,687**	**99.05 %**	**24,287**	**0.75 %**	**6,589**	**0.20 %**	**3,235,563**
Rural residential real estate	**571,568**	**97.26 %**	**5,784**	**0.99 %**	**10,300**	**1.75 %**	**587,652**
Agricultural export finance	**147,308**	**100.00 %**	**—**	**—**	**—**	**—**	**147,308**
Other	**1,167,772**	**100.00 %**	**—**	**—**	**—**	**—**	**1,167,772**
Total	**$ 39,237,428**	**95.56 %**	**$ 908,389**	**2.21 %**	**$ 916,212**	**2.23 %**	**$41,062,029**

	As of December 31, 2023						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Long-term agricultural mortgage	$ 20,105,736	96.54%	$ 324,935	1.56%	$ 396,258	1.90%	$20,826,929
Production and intermediate term	7,285,693	95.59%	119,322	1.57%	216,782	2.84%	7,621,797
Agribusiness	5,288,590	96.86%	44,460	0.81%	126,966	2.33%	5,460,016
Rural infrastructure	2,815,105	98.15%	46,015	1.61%	6,977	0.24%	2,868,097
Rural residential real estate	627,384	97.73%	4,559	0.71%	9,983	1.56%	641,926
Agricultural export finance	125,468	100.00%	—	—	—	—	125,468
Other	1,102,635	100.00%	—	—	—	—	1,102,635
Total	$ 37,350,611	96.65%	$ 539,291	1.39%	$ 756,966	1.96%	$38,646,868

Delinquency

The following table provides an aging analysis of past due loans by loan type at amortized cost (dollars in thousands):

As of September 30, 2024	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Accruing Loans 90 Days or More Past Due**
Long-term agricultural mortgage	**$ 8,510**	**$ 32,880**	**$ 41,390**	**$ 21,701,880**	**$ 21,743,270**	**$ 780**
Production and intermediate term	**13,961**	**26,509**	**40,470**	**7,912,359**	**7,952,829**	**723**
Agribusiness	**44,897**	**612**	**45,509**	**6,182,126**	**6,227,635**	**—**
Rural infrastructure	**—**	**—**	**—**	**3,235,563**	**3,235,563**	**—**
Rural residential real estate	**2,568**	**432**	**3,000**	**584,652**	**587,652**	**146**
Agricultural export finance	**—**	**—**	**—**	**147,308**	**147,308**	**—**
Other	**76,684**	**52,000**	**128,684**	**1,039,088**	**1,167,772**	**52,000**
Total	**$ 146,620**	**$ 112,433**	**$ 259,053**	**$ 40,802,976**	**$ 41,062,029**	**$ 53,649**

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Long-term agricultural mortgage	$ 15,652	$ 49,608	$ 65,260	$ 20,761,669	$ 20,826,929	$ —
Production and intermediate term	12,924	14,981	27,905	7,593,892	7,621,797	3,649
Agribusiness	33,557	333	33,890	5,426,126	5,460,016	—
Rural infrastructure	13,066	—	13,066	2,855,031	2,868,097	—
Rural residential real estate	2,432	116	2,548	639,378	641,926	—
Agricultural export finance	—	—	—	125,468	125,468	—
Other	52,032	3,921	55,953	1,046,682	1,102,635	3,921
Total	$ 129,663	$ 68,959	$ 198,622	$ 38,448,246	$ 38,646,868	$ 7,570

Nonperforming Loans

The following table provides the amortized cost for nonperforming loans with and without a related allowance for credit losses on loans, as well as, interest income recognized on nonaccrual during the period (dollars in thousands):

	As of September 30, 2024		**For the nine months ended September 30, 2024**
	Amortized Cost with Specific Allowance	**Amortized Cost without Specific Allowance**	**Interest Income Recognized (Reversed)**
Nonaccrual loans:			
Long-term agricultural mortgage	**$ —**	**$ 108,908**	**$ (916)**
Production and intermediate term	**2,586**	**52,707**	**(1,136)**
Agribusiness	**—**	**28,788**	**(30)**
Rural infrastructure	**879**	**—**	**—**
Rural residential real estate	**—**	**1,424**	**123**
Total nonaccrual loans	**$ 3,465**	**$ 191,827**	**$ (1,959)**
Accruing loans 90 days or more past due:			
Long-term agricultural mortgage	**$ —**	**$ 780**	**$ 35**
Production and intermediate term	**—**	**723**	**152**
Agribusiness	**—**	**—**	**2**
Rural residential real estate	**—**	**146**	**2**
Other	**—**	**52,000**	**(929)**
Total accruing loans 90 days or more past due	**$ —**	**$ 53,649**	**$ (738)**

	As of December 31, 2023		For the nine months ended September 30, 2023
	Amortized Cost with Specific Allowance	Amortized Cost without Specific Allowance	Interest Income Recognized (Reversed)
Nonaccrual loans:			
Long-term agricultural mortgage	$ 27,129	$ 52,272	$ (743)
Production and intermediate term	4,442	15,784	(1,076)
Agribusiness	12,860	5,871	31
Rural infrastructure	1,108	—	—
Rural residential real estate	—	1,082	17
Total nonaccrual loans	$ 45,539	$ 75,009	$ (1,771)
Accruing loans 90 days or more past due:			
Long-term agricultural mortgage	$ —	$ —	$ 42
Production and intermediate term	—	3,649	17
Agribusiness	—	—	—
Rural residential real estate	—	—	3
Other	—	3,921	(687)
Total accruing loans 90 days or more past due	$ —	$ 7,570	$ (625)

Reversals of interest income on loans that moved to nonaccrual status were not material for the nine months ended September 30, 2024.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Our loans classified as modified loans at September 30, 2024, or 2023, and activity on these loans during the nine months ended September 30, 2024, or 2023, was not material. We did not have any material commitments at September 30, 2024, or December 31, 2023, to lend to borrowers whose loans were modified during the nine months ended September 30, 2024, or during the year ended December 31, 2023, respectively.

Allowance for Credit Losses

We utilize multiple macroeconomic scenarios, including base, adverse and optimistic, in the estimate of allowance for credit losses during a reasonable and supportable forecast period of two years. The adverse scenario includes macroeconomic factors reflecting downside potential relative to the base scenario. The optimistic scenario includes potential upside in the macroeconomic factors above the base scenario. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

An analysis of changes in the allowance for credit losses for the nine months ended September 30, 2024 follows (dollars in thousands):

	For the nine months ended September 30,			
Allowance for credit losses on loans		**2024**		2023
Balance at beginning of year	**$**	**82,000**	$	58,000
Cumulative effect of change in accounting principle		**—**		14,000
Provision for credit losses on loans		**120**		27,246
Recoveries		**7,412**		515
Chargeoffs		**(24,532)**		(1,761)
Balance at end of period	**$**	**65,000**	$	98,000
Allowance for credit losses on unfunded commitments				
Balance at beginning of year	**$**	**14,000**	$	12,000
Cumulative effect of change in accounting principle		**—**		(2,000)
Provision for credit losses on unfunded commitments		**(1,000)**		2,000
Balance at end of period	**$**	**13,000**	$	12,000
Total allowance for credit losses	**$**	**78,000**	$	110,000

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by charge offs in 2024 on loans that previously had specific reserves.

NOTE 3: INVESTMENT SECURITIES

Held-to-Maturity

We held investment securities of $1.5 billion at September 30, 2024, and $772.4 million at December 31, 2023. Our investment securities consisted of pools of loans guaranteed by the U.S. Small Business Administration (SBA). Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments.

All of our investment securities were fully guaranteed by the SBA at September 30, 2024 and at December 31, 2023. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. There was no allowance for credit losses on investments at September 30, 2024, or December 31, 2023.

A summary of the amortized cost of securities held-to-maturity is as follows (dollars in thousands):

As of:		**September 30, 2024**		December 31, 2023
Mortgage-backed securities	**$**	**1,327,601**	$	624,278
Asset-backed securities		**175,379**		148,168
Total	**$**	**1,502,980**	$	772,446

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $18.8 million at September 30, 2024 and $9.8 million at December 31, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $56.9 million and $26.8 million for the nine months ended September 30, 2024 and 2023, respectively.

A summary of the amortized cost of contractual maturities of investment securities is as follows (dollars in thousands):

As of September 30, 2024	**Amortized Cost**
Five to ten years	**$ 175,379**
More than ten years	**1,327,601**
Total	**$ 1,502,980**

NOTE 4: INVESTMENT IN RURAL BUSINESS INVESTMENT COMPANY

We and other Farm Credit System institutions are among the limited partners invested in 16 Rural Business Investment Companies (RBIC). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. As of September 30, 2024, our current total commitment is $214.0 million of which $105.7 million is unfunded with varying commitment end dates through January 2035. Certain commitments may have an option to extend under specific circumstances.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2023 Annual Report for a more complete description of the three input levels.

Recurring Basis

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2024, or December 31, 2023.

Non-recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (dollars in thousands):

	Fair Value Measurement Using			
As of September 30, 2024	Level 1	Level 2	Level 3	Total Fair Value
Loans	**—**	**—**	**$ 2,804**	**$ 2,804**
Other property owned	**—**	**—**	**$ 5,983**	**$ 5,983**

	Fair Value Measurement Using			
As of December 31, 2023	Level 1	Level 2	Level 3	Total Fair Value
Loans	—	—	$ 41,427	$ 41,427
Other property owned	—	—	—	—

Valuation Techniques

Nonperforming Loans: Represents the carrying amount of loans evaluated individually for credit losses and are deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less cost to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgement about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value. If the process requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they fall under Level 3.

NOTE 6: COMMITMENTS AND CONTINGENCIES

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

Refer to Note 13 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 5, 2024, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the notes to consolidated financial statements.